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S E C R E T SECTION 01 OF 02 RANGOON 000187

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E.O. 12958: DECL: 02/10/2015

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SUBJECT: THE SPDC'S ECONOMIC PRIORITIES

REF: 04 RANGOON 31

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

[11.](#) (S/NF) Summary: A sensitive GOB document has given us a rare glimpse at the economic policymaking process of the SPDC's top leadership. From its list of 30 "guidelines," it's clear that the SPDC is not totally ignorant of the economy's key problems (energy shortages, budget deficits, and poor agricultural and industrial production). However, it's also clear that the SPDC has little idea what to do about them. End summary.

The View from the Top

[12.](#) (S/NF) We have seen a GOB 'Top Secret' document outlining the 30 economic priorities set by the top four SPDC leaders (Senior General Than Shwe, Vice Senior General Maung Aye, Prime Minister Lt. Gen. Soe Win, and Secretary One Lt. Gen. Thein Sein) during the January 20-21 quarterly SPDC coordination meeting. A short note covering the list of "guidelines" instructed ministries, other SPDC members, and regional Peace and Development Councils to "note and implement" these instructions as quickly as possible.

[13.](#) (S/NF) The guidelines are often vague, and always dogmatic. Some instructions are extremely general ("keep the economic growth rate high"), while others are excessively micromanagerial ("plant rubber in Tamu, Sagaing Division" and "grow more corn because people in Chin State like to mix it with rice"). The guidelines also occasionally repeat themselves, and often are contradictory. For example, while urging attention to import-substitution industries first and export-oriented industries second, they also stress the importance of increasing the "production of export items."

Energy, Agriculture, Industry, and the Budget are Key

[14.](#) (S/NF) Several themes emerge, however, notably the leaders' concern over agricultural production and diversity, electricity and crude oil shortages, building the industrial sector, and cutting the budget deficit. Seventeen of the 30 guidelines address these topics. Other areas address the need for better statistics and reform of border trade.

-- Agricultural goals are to increase cultivation of new crops and more efficiently cultivate traditional ones. Specifically mentioned are cash and import-substitution crops like oil palm, rubber, coffee, tea, and pepper. Agricultural production must move away from small and medium-sized farms to "commercial size" enterprises. To this end, farmers should start cooperative production and "entrepreneurs who are financially strong" (read: cronies) should develop "thousands of acres of virgin land."

-- Energy problems must be solved by conservation across the board, with a priority given to manufacturers for supplies of electricity and domestic and imported fuel oil. Despite admonishments elsewhere to maximize import substitution, there is no suggestion of using offshore, exportable natural gas to help improve the domestic power situation. Hydropower, long the SPDC's public answer to Burma's energy problems, is not mentioned.

-- Industrial success is dependent on better long-term planning and increased use and specialization of industrial zones. The generals recognize the lack of "know-how" in the private and state-owned sectors, but offer no advice on getting it -- other than to establish a goal of achieving "high-level industries" by 2009.

-- Budget deficits remain chronic despite the publicized target of a surplus by FY 2003-04. Like in the energy sector, budget deficits must be fixed through conservation of resources and controlled spending. Supplementary expenditures will not be authorized (except presumably for SPDC priority areas), government construction projects must cease (except for manufacturing infrastructure), and ministries must "increase departmental income."

-- Correct data and statistics must be compiled by responsible authorities while ministries must devise "feasible" production plans for FY 2005-06. The guidelines do embrace, however, the absurdly overstated official GDP growth figure of 13.8 percent, and stress the need to keep it up.

-- Perhaps dwelling on the previous domination of border trade activities by ousted Prime Minister, and military intelligence chief, General Khin Nyunt, the new guidelines insist that trade at the two largest border trade points, Muse (on the China border) and Myawaddy (on the Thai border), be converted from more informal and decentralized border trade rules to more centrally controlled "normal" trade. A separate instruction orders "training" of border traders so they can conduct future commerce as normal, vice border, trade.

A Kinder Gentler SPDC?

15. (S/NF) Somewhat incongruously, three of the guidelines address the importance of government servants treating the people well while striving to achieve these economic objectives. Local officials "should live together with the people and should not behave haughtily or arrogantly." Likewise, GOB-affiliated NGOs are cautioned to improve their organizations to be more "firmly rooted among the people."

Comment: Moments of Lucidity

16. (S/NF) There are few surprises from the list, which reflects the top-heavy dirigiste policymaking process that has caused the economy so many problems. However, the majority of the guidelines make it clear that the senior SPDC leadership does have a concept of some of the challenges facing the Burmese economy -- if not why these problems have arisen. It has long been debated whether the GOB's inept economic policymaking was based on ignorance of the situation or inability to address it properly. From this document, it appears to be as much the latter as the former, as the guidelines identify several real problems, but propose few realistic or creative solutions. End comment.  
Martinez